MARICOPA COUNTY

2020

Eye To The Future

COST OF DEVELOPMENT

Maricopa County, Arizona
August, 2002

ACKNOWLEDGMENTS

Preparation of this report was made possible by the cooperative efforts of many public and private stakeholders. Maricopa County extends its appreciation to all those that participated in this process, including the Maricopa County Board of Supervisors, the Planning and Zoning Commission, and those stakeholders who attended meetings regarding this important issue.

Board of Supervisors

Fulton Brock, District 1
Don Stapley, District 2 (Chairman)
Andy Kunasek, District 3
Max Wilson, District 4
Mary Rose Wilcox, District 5

Planning and Zoning Commission

Bob Beckley, District 1
Mark Pugmire, District 2
Clancy Jayne, District 3
Bill Clayburg, District 4
Abe Harris, District 5

C. Dennis Barney, District 1
Richard Gulbrandsen, District 2
Dick Smith, District 3
Carole Hubbs, District 4 (Chairman)
Jimmie Munoz, District 5

Comprehensive Planning Team (Planning and Development Department)

Joy Rich, AICP, Director
Lynn Favour, AICP, Deputy Director
Matthew Holm, AICP, Principal Planner (project manager)

TABLE OF CONTENTS

Sections

Tables

Figures

TABLE OF CONTENTS, cont.

COST OF DEVELOPMENT

Report Overview

This report provides an overview of fiscal considerations relating to future growth in Maricopa County, and forms the basis of the Cost of Development element of *Eye to the Future 2020*, the Maricopa County Comprehensive Plan. The Cost of Development element is one of several new elements being added to *Eye to the Future 2020* to comply with the requirements of the Growing Smarter and Growing Smarter Plus Acts.

This report includes the following sections:

Introduction: Describes the report's intent, its importance to Maricopa County, and how this element should be used in relation to future growth and development.

Existing & Future Conditions: Examines current and projected demographic and economic conditions in Maricopa County.

Available Funding Techniques: Identifies techniques that can be used to fund additional public services and require new development to pay its fair share toward the cost of future public services. This section also includes an analysis of potential issues associated with using impact fees in unincorporated Maricopa County.

Maricopa County Budget Overview: Provides an overview of the current Maricopa County budget, and identifies sources of revenues and expenditures. This section also discusses revenue sources in relation to financing future public services.

Cost Sharing Programs-Issues and Considerations: Discusses legal and policy issues involving public service financing.

Goals, Objectives, Policies: Defines general and specific concepts that can help Maricopa County achieve desired results.

Agenda for Action: Outlines strategies Maricopa County will use to implement the goals, objectives, and policies of the Cost of Development element.

Introduction

In 1998, Arizona passed the Growing Smarter Act to help local governments plan for and manage growth in a functional and efficient manner. Among the Act's requirements, Maricopa County must now include a "Cost of Development" element in its Comprehensive Plan. Specifically, Maricopa County must identify policies and strategies that it will use to require development to pay its fair share toward the cost of additional public facility needs generated by new development. This element must also include an analysis of existing techniques that can be used to fund additional public services associated with new development, and policies to ensure that any funding mechanism(s) bear a reasonable relationship to the financial burden imposed on the county.

Given the significant future growth expected in Maricopa County, the Cost of Development element is important to help ensure a fiscally responsible budget, and to help ensure an efficient use of taxpayer funds. The Cost of Development element also helps establish an equitable sharing of costs associated with future growth and development.

Existing and Future Conditions: Demographics

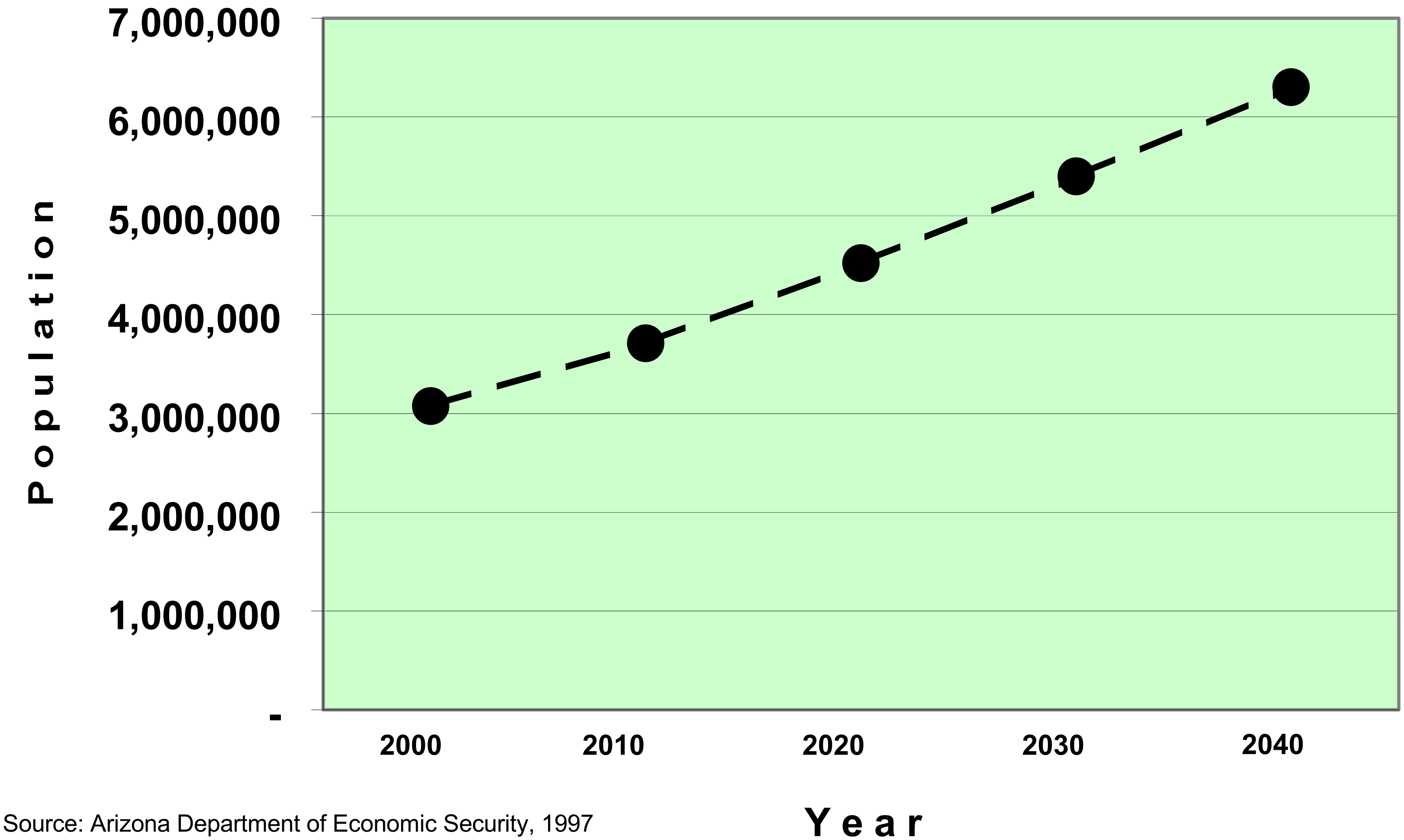
In the 1990s, Maricopa County was the fastest growing county in the U.S., adding over 950,000 people in just ten years and continuing a pattern of rapid growth that has occurred since the end of World War II.[1] This growth has resulted in Maricopa County being ranked as the 4th largest in terms of population, recently exceeding 3 million people. For perspective, Maricopa County now has more people than 21 states and the District of Columbia, and nearly two-thirds of the state's residents live in Maricopa County. Significant population growth is expected to continue, and the Arizona Department of Economic Security projects the county's population will top 4.5 million by the year 2020, and 6.2 million (more than double the current level) by 2040 (**Figure 1**). Most of the growth has and will continue to occur in the Phoenix metropolitan area.

Much of Maricopa County's population growth is a result of migration from other states, reflecting a national trend of population shifts to Sunbelt states of the south and west. However, contrary to common belief that most migrants come from cold-climate states, many migrants come from states such as California and Texas, although migration patterns tend to be cyclical based on economic cycles.

Besides population growth, the demographic characteristics of county residents is also an important consideration because it can affect revenues from sales taxes, residential property taxes, vehicle license taxes, and user fees, as well as expenditures for services like health care, education, social services, and various types of infrastructure. 2000 Census data shows that Maricopa County residents are relatively young with slightly over one-half of the population under age 35 (**Figure 2**). However, by 2040 there will likely be significant changes in that the percentage of persons under 50 will decrease approximately 11%, while the percentage of the population over age 50 will increase by approximately 10% (**Figure 3**). In addition, projections show that during that same period the percentage of people in the 65-80 and 80+ age groups will nearly double. Viewed differently, there are currently about 360,000 county residents over the age of 65. By 2040, projections are that the number will increase to approximately 1.26 million.

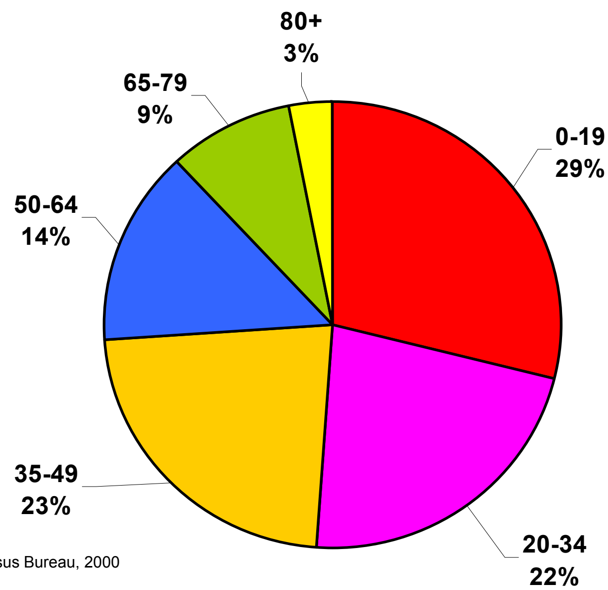
[1] U.S. Census Bureau, Census 2000 Redistricting Data

Figure 1
Maricopa County Projected Population



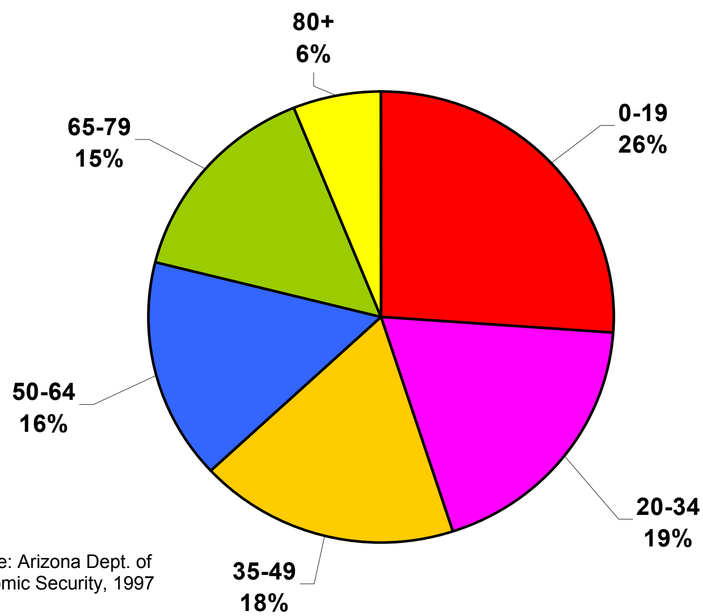
Source: Arizona Department of Economic Security, 1997

Figure 2
2000 Maricopa County Population by Age



Sources: U.S. Census Bureau, 2000

Figure 3
2040 Maricopa County Population by Age



Source: Arizona Dept. of Economic Security, 1997

Over the next several decades Maricopa County's population will not only become older, it will become more diverse. In particular, 2000 Census data shows that the percentage of those who classify themselves as being of Hispanic origin increased from approximately 16% of the county's population in 1990 to approximately 25% in 2000 (**Figures 4 and 5**). During that same period, those identifying themselves as "White, Not Hispanic" decreased from approximately 77% to approximately 66% of the total county's population. For other ethnic groups, shares of the total population remained about the same. Specifically, the proportion of "Black or African-American" increased slightly from 3.3% of the overall population in 1990 to 3.5% in 2000. "Asian or Pacific Islander" increased from 1.6% to 2.2% during that same period, and those classified as "American Indian and Alaska Native" held steady at about 1.6%.[2]

Maricopa County's future population should continue to diversify over the next several decades (**Figure 6**). Projections show that by 2040, Whites will comprise approximately 59% of the population, while Hispanics will comprise approximately one-third. Other minority groups will also represent larger percentages of the total population, but increases should be much smaller than that of the Hispanic population.[3]

Since demographic trends change slowly, projecting such changes is usually accurate even over long periods of time. However, this is not the case when projecting economic activity. Indeed, anticipating economic activity is difficult beyond a few years due to unanticipated events and the cyclical nature of the economy. Nevertheless, anticipating future economic conditions is important to forecast future county revenues and expenditures. While not a detailed analysis, this report does provide an overview of expected conditions.

Existing and Future Conditions: Economics

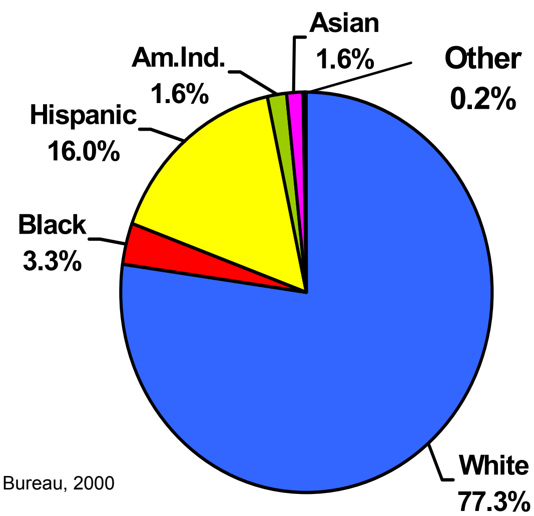
Employment

Since the mid-1990s, Maricopa County's economic growth has been strong with considerable increases in both employment and personal per capita income. Today, Maricopa County comprises approximately 67% of the state's total employment base. However, the rate of employment growth is expected to slow over the next five years (**Figure 7**). While part of this slowdown is due to current economic weakness, it also reflects a repositioning from macroeconomic excesses that accumulated in the national and state economies over the last several years.

In evaluating employment growth by sector, expansion in the service-providing sector of the county's economy is expected to remain relatively stable, although down from the growth levels experienced in the late 1990s. The most significant slowing is projected in non-trade services (i.e. non-wholesale and retail), where employment growth is forecast

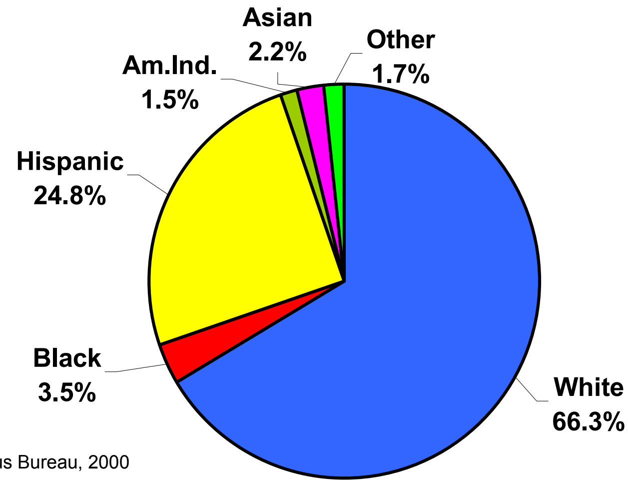
[2] U.S. Census Bureau, 1990 and 2000 data
[3] Tempe Community Council, Spring, 2001

Figure 4
1990 Maricopa County Population by Group



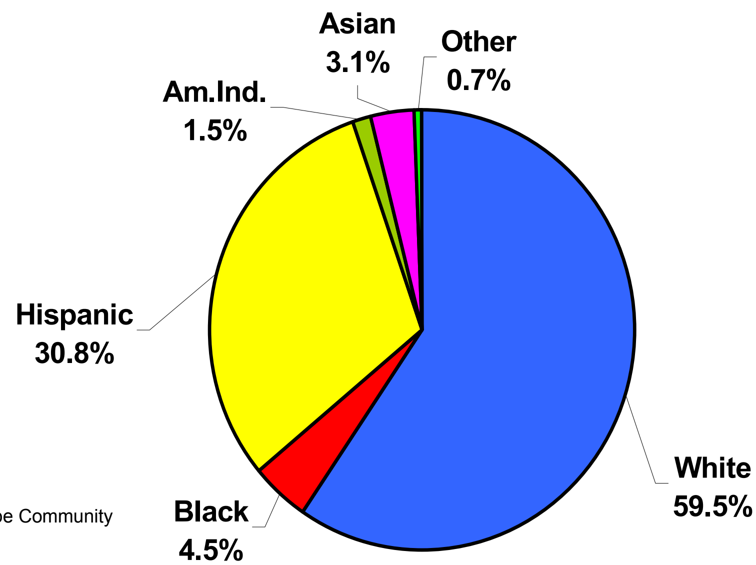
Source: U.S. Census Bureau, 2000

Figure 5
2000 Maricopa County Population by Group



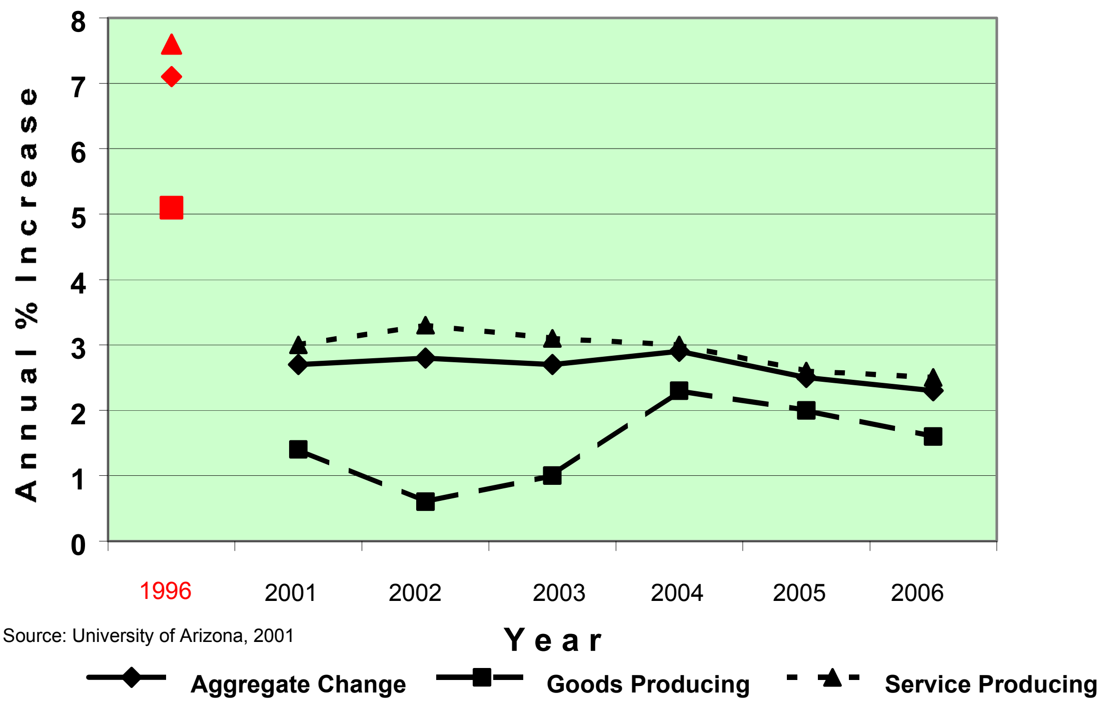
Source: U.S. Census Bureau, 2000

Figure 6
2040 Maricopa County Population by Group



Source: Tempe Community Council, 2001

Figure 7
Projected Maricopa County Employment Growth



Source: University of Arizona, 2001

to slow from a 10.4% annualized rate in 1996 to an annualized rate of 3.3% between 2001 and 2006.[4]

Expansion in the county's goods-producing economy is also expected to slow from a 5.1% annual employment growth rate in 1996 to an average annual growth rate of 1.5% between 2001 and 2006. Slowing is most notable in construction, which is forecast to decelerate from a 6.5% annual growth rate in 1996 to contraction in both 2002 and 2003 before resuming an upward trend. Overall, growth in construction employment is forecast to slow from a 6% annual growth rate over the past five years, to around 1% between 2001 and 2006.[5]

Besides a slowdown in employment growth, a longer-term trend in Maricopa County—mirroring trends at the state and national level—is an increase in workforce age. Over the next twenty years, the number of younger workers available to replace retiring workers will decline. Whereas growth in the number of working adults (ages 25 to 55) will increase by about 34% between 2000 and 2020, the number of people over the age of 60 will increase by 104%.[6] A concern is that the inevitable aging of the county's workforce could create a shortage of workers.

Besides losing workers, Maricopa County faces another possible dilemma: the changing wants and needs of out-of-state, high-end retirees. In the past, Maricopa County has annually attracted several thousand financially secure retirees who help contribute wealth and spending into the local economy. However, surveys have shown that "baby-boomers" tend to have different desires than prior retirees, and some studies show that fewer of these retirees may want Maricopa County's traditional retirement options. Further, future retirees tend to want to avoid real or perceived congested urban areas, which means they may instead opt for other areas of Arizona or the country.[7]

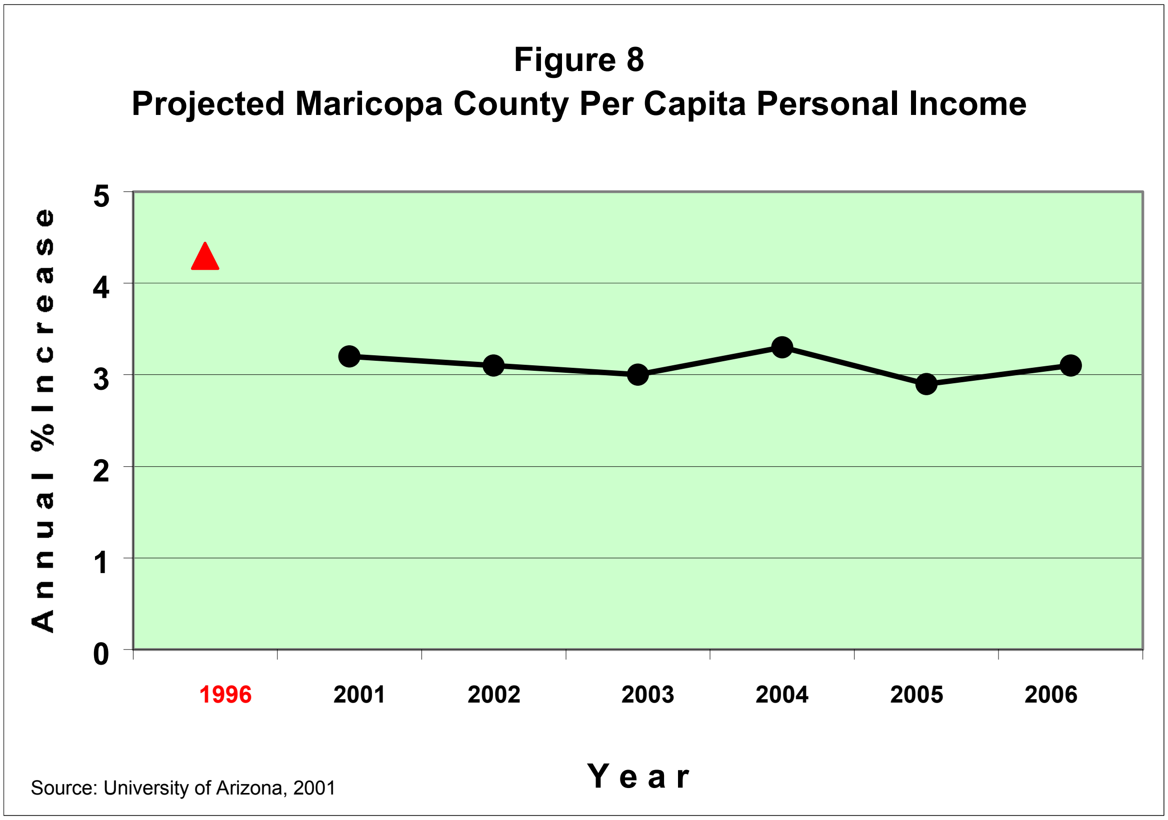
Personal Income

Complementing the slowdown in Maricopa County's employment growth is the expected slowing of growth in per capita personal income. Between 1996 and 2001 per capita personal income grew at an average annual rate of 4.8%. However, over the next five years per capita personal income growth is expected to slow to an average annual rate of 3.1% (**Figure 8**).[8]

Retail Sales

Another important budgetary issue—anticipated retail sales—also affects government revenues and the overall economy. As with income and employment, growth in retail

[4] Eller College of Business & Public Administration, University of Arizona, October, 2001
[5] *Id.*
[6] Arizona Department of Economic Security, 1997
[7] Retirement Living Information Center
[8] Eller College of Business & Public Administration, University of Arizona, October, 2001



sales are expected to moderate over the next several years. From 1996 to 2001, aggregate retail sales grew at an average annual rate of 7.6%. Over the next five years, the average annual growth rate is expected to be around to 5.6% (**Figure 9**).[9]

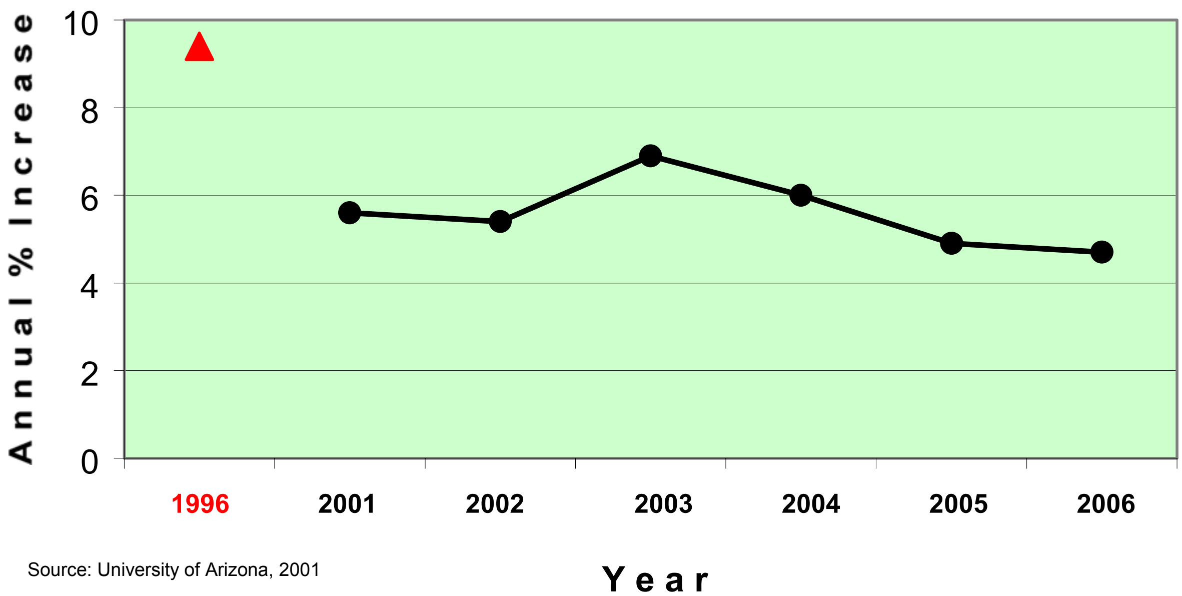
Construction and Real Estate

Construction and real estate also impacts county revenues and expenditures because they are factors in both tax base expansion and future service requirements. Over the past several years, Maricopa County has been one of the nation's leaders in residential construction (**Figure 10**). Since the mid-1990s, the number of annually issued residential permits has remained relatively high. However, current economic conditions are slowing residential permit activity, and forecasts for both 2001 and 2002 show that total annual permits will decrease slightly to around 35,000.[10]

Since the mid-1990s, permit activity for commercial and industrial facilities has remained fairly stable although rising vacancy rates in the Phoenix metropolitan area are expected to continue at least through 2003. Therefore, the number of permits issued for such facilities will likely decrease over that period.

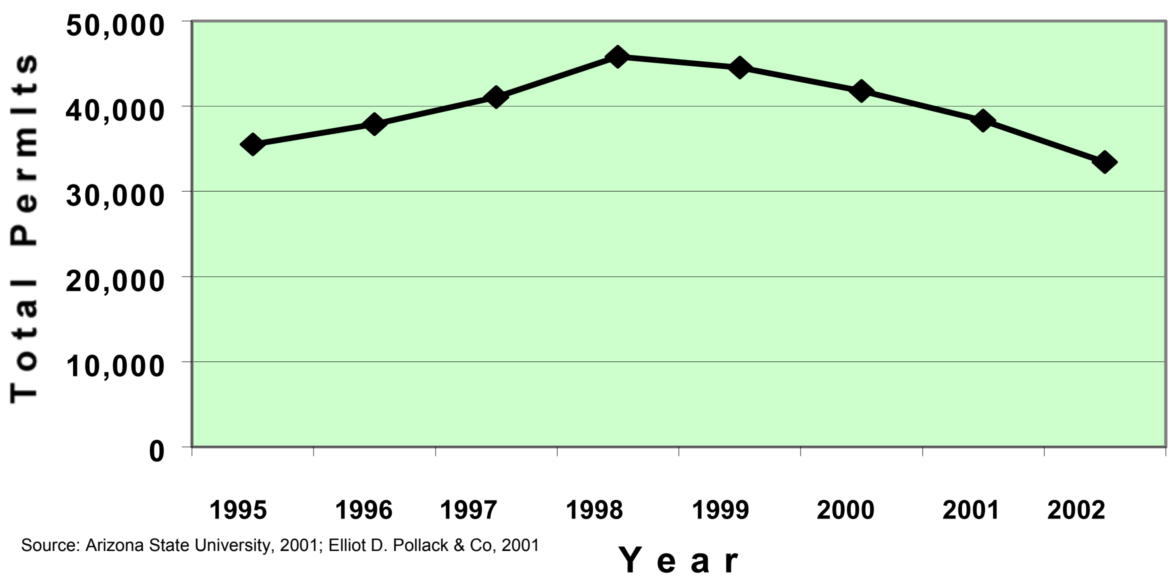
[9] Eller College of Business & Public Administration, University of Arizona, October, 2001
[10] Seldman Research Institute, Arizona State University; Elliot D. Pollack, July 2001

Figure 9
Projected Maricopa County Retail Sales



Source: University of Arizona, 2001

Figure 10
Real and Projected Residential Permits



Source: Arizona State University, 2001; Elliot D. Pollack & Co, 2001

Issues and Considerations

- As growth occurs in Maricopa County—primarily at the urban fringe—what will be the cost to service development further away from the central urban areas?
- How might the projected slowdown in employment growth over the next several years affect short and long-term county revenues? How might this trend affect growth patterns and county service costs?
- How might Maricopa County's aging population and workforce affect revenues, especially as a greater percentage of people move beyond their peak spending years and as their personal spending priorities change? Will new programs need to be created to serve aging citizens, and if so at what cost? Will this trend affect land use, transportation, and infrastructure and service needs and patterns and at what cost?
- How might Maricopa County's aging population affect county expenditures in relation to providing county services? How might this trend affect growth patterns and the costs associated with those patterns?
- How might Maricopa County's diversifying population affect county revenues and expenditures with respect to providing county services? Will new programs need to be created to serve the diversifying population and at what cost? How might this trend affect land use, transportation, and infrastructure and service needs and at what cost?
- If the number of out-of-state retirees choosing Maricopa County declines, what affect might this have on county revenues and expenditures? How might this situation affect growth patterns and the costs associated with those patterns?
- How might the projected slowdown in personal income growth in Maricopa County over the next several years affect county revenues? How might this affect spending and growth patterns, as well as county expenditures?
- How might the forecasted slowdown in the construction and real estate market affect county revenues? How might this trend affect growth patterns and service requirements? How might this affect costs associated with growth?

Available Funding Techniques

There are numerous techniques available to local governments (including Maricopa County) to help fund the additional public services necessary to serve future growth and development. A brief overview of these techniques is provided in this section.

Property Tax
A property tax is a duty levied on land and improvements on a specific parcel of land. Arizona statutes allow Maricopa County to levy such a tax on taxable property as may be necessary to defray its expenses. The property tax is one of Maricopa County's

largest sources of revenues for providing services. A more in-depth analysis of Maricopa County's property tax is included later in this report.

Specialty/Industry Tax
Specialty/industry taxes are those levied on specific sales items. For example, in Maricopa County a specialty/industry tax has been levied on rental cars to fund major league baseball's spring training operations. Such a tax also helped fund construction of the Bank One Ballpark in downtown Phoenix. One advantage of this tax is that its impact is limited to product users and not the general population, and voter ratification is not necessary. A more in-depth discussion of Maricopa County's use of the specialty tax is included later in this report.

User Fees
User fees are assessed for the use of a specific service or activity. Examples of user fees in Maricopa County are entrance charges to regional parks and fees for service in the Maricopa County Integrated Health System. User fees can help offset either a portion or the entire cost of a service. One advantage of user fees is that those that benefit from a service incur the charge rather the entire community.

Bonds
Arizona counties are authorized to issue bonds for specific purposes like helping fulfill the needs of the sports authority; constructing health care institutions, county buildings, sewerage systems, and industrial material plants; and for street and highway development. However, counties are restricted in their bond issuance capacity because they have constitutionally set debt limitations. Further, prior to issuing bonds counties must receive authorization by a majority vote of qualified electors at an election, which can be time consuming and costly.

Bonds are usually issued as either *general obligation bonds* or as *revenue bonds*. General obligation bonds are backed by the full faith and credit of the issuing jurisdiction. These bonds tend to spread the financial benefits and burdens uniformly throughout the community, which means that the funds used to support new development may be subsidized by existing development.

Revenue bonds are issued by a jurisdiction and are backed by the earnings (revenues) from the project for which the bond was issued. In this respect, revenue bonds are different than general obligation bonds in that they are not guaranteed by the full faith and credit of the jurisdiction; debt service is dependent upon recaptured revenue. An advantage of revenue bonds is that people who use or benefit from a service or facility pay for it rather than the community as a whole.

Lease Purchase Finance
Lease purchase finance is similar to an installment purchase in that a lessee buys property from a lessor through regular payments over a given period of time. When all

payments have been made, the lessee gets full ownership of the property. Under state law, counties can use lease purchase finance to acquire property and make improvements if it is for a public purpose. An advantage of lease purchase finance is that it allows costs to be extended over a period of time, thus reducing immediate financial burdens.

Dedication

A dedication is the conveyance of land by a private owner, through a gift or grant, to a public entity. For example, streets in subdivisions are usually acquired by local governments through a dedication to the public of the property comprising the streets. Other examples include land dedicated for parks and recreation facilities, schools, trails, or transit amenities. An advantage of dedications is they help ensure that new development provides the infrastructure necessary to serve its future residents.

Development Agreement

Development agreements are contractual arrangements between local governments and property owners regarding land use and infrastructure. Under state law, development agreements can address issues such as land density; dedications; infrastructure phasing, timing, and financing; formation of special taxing districts; and any other matters relating to property development. An advantage of development agreements is that they are voluntary and, therefore, are mutually agreeable to all parties involved in negotiation.

Intergovernmental Agreement

Intergovernmental agreements are contractual arrangements between two or more public agencies for service delivery or cooperative action. Although state statute does not limit the matters that can be addressed by intergovernmental agreements, it does require that issues such as agreement duration, termination, purpose, and financing be specified in the contract. An advantage of intergovernmental agreements is that they are a mutually agreeable method of sharing infrastructure and service costs.

Special District (Improvement District)

Special districts are established to either provide service or infrastructure to a designated area, or fulfill a specific purpose. A special tax is then assessed on property owners within the district boundaries to cover costs resulting from the service or infrastructure.

Most special districts have similar characteristics regardless of their purpose. These characteristics include:

- Having the status of being a political subdivision of the state, including many of the same rights as a municipality.
- Having a limited purpose as identified in the respective authorizing statute.
- Having an independently elected governing body.

- Having exterior boundaries within or adjacent to a single county.
- Having the power to impose and collect taxes.
- Having continuous operation subject to a prescribed dissolution process.
- Having corporate existence separate and apart from any other unit of government.

Special districts can be established for a variety of purposes. Some of the districts allowed under state law include the following:[11]

- Antinoxious weed districts
- Pest control districts
- Fire districts
- County improvement districts, including those for lighting
- Domestic water improvement districts
- County television improvement districts
- Community park maintenance districts
- Special road districts
- Power districts
- Electrical districts
- Hospital districts
- Sanitary districts
- Pest abatement districts
- Health service districts
- Agriculture improvement districts
- Drainage and flood protection districts
- Irrigation and water conservation districts
- Irrigation water delivery districts
- Multicounty water conservation districts
- County jail districts

Although autonomous, special districts frequently use county services to help carry out activities and responsibilities. When this occurs, a county can require reimbursement for any service(s) provided. Otherwise, special districts usually levy a tax on property within the district and issue bonds to cover district expenses.

In most instances, establishing special districts is a citizen initiated petition process to a county board of supervisors. However a board of supervisors usually has the authority to deny district formation if sufficient justification exists.

Other Special Districts

Maricopa County has several special districts that are notable because they affect the entire county. These districts include the Flood Control District, the Stadium District, and the Library District. In all three cases, the Maricopa County Board of Supervisors acts as the district's board of directors.

[11] For additional detail, see ARS §11-251.06

Flood Control District of Maricopa County

The Flood Control District of Maricopa County was organized on August 3, 1959. Its formation followed passage of legislation that year that empowered counties to establish a special district to provide flood control for metropolitan, urban, and agricultural areas to prevent the flooding of property and the endangering of people's lives.

The Flood Control District is a municipal corporation and political subdivision of the State of Arizona. As of 2001, property owners in Maricopa County are assessed a tax levy of 0.2319 per $100 of assessed property valuation to fund District activities. The District's fiscal year 2001-2002 revenues are projected to be approximately $79 million.

The mission of the Flood Control District of Maricopa County is to provide flood hazard identification, regulation, remediation, and education to the people in Maricopa County so that they can reduce their risks of injury, death, and property damage due to flooding while enjoying the natural and beneficial values served by floodplains.

Stadium District of Maricopa County

In September, 1991, the Maricopa County Board of Supervisors adopted a resolution pursuant to state law creating the Maricopa County Stadium District. The district and the county have the same boundaries, and the Board of Directors is comprised of the same five persons who make up the County Board of Supervisors, with the County Administrative Officer serving as the Executive Director of the Stadium District.

The Maricopa County Stadium District provides fiscal resources for Cactus League facilities and asset management of Bank One Ballpark for residents and visitors so they can attend Cactus League spring training, Major League Baseball games, and other entertainment events in state-of-the-art, well maintained facilities. The District's fiscal year 2001-2002 revenue is approximately $11.6 million.

Maricopa County Library District

The Maricopa County Library District provides library service to County residents by operating two Regional Libraries, ten Community Libraries, three bookmobiles, and an outreach service which provide a full range of library services. As of 2001, Maricopa County residents are assessed a tax levy of 0.0421 per $100 of assessed property valuation to fund District activities. The District's projected fiscal year 2001-2002 revenue is approximately $10.7 million.

Development Fee/Exaction

The development impact fee is a technique which requires a developer in a specified impact area to pay a fee that is usually assessed on individual residential units or development acres. If a county adopts a capital improvement plan, it can assess an impact fee within a specified area to help offset the capital costs for providing water, sewer, streets, parks, and public safety services. Under state law, development fees are subject to several requirements:

- The development fee must result in a beneficial use to the development.
- Development fees must be deposited in a separate fund, and interest earned must be used as a credit to the fund.
- Credits must be provided in the event of dedication of public sites and improvements.
- The amount of a development fee must bear a reasonable relationship to the cost burden imposed on the county for providing services.
- Development fees cannot be assessed in a discriminatory manner.

One important advantage of impact fees is that new services and infrastructure are financed by the development it serves rather than by the general community. Moreover, impact fees are a widely accepted method of sharing costs associated with new development. But while impact fees do present certain advantages, they may be difficult to implement on a consistent basis in unincorporated Maricopa County. A brief overview of these potential difficulties follows.

Impact Fees in Maricopa County: Issues and Concerns

While many local jurisdictions have been using impact fees since the 1980s, it is only recently that Maricopa County has been given the authority to enact fees for the capital improvements identified earlier. In practice, however, it can only assess impact fees for streets, parks, and public safety services since Maricopa County does not provide sewer and water. In addition, courts have established that impact fees can only be used to support *existing* levels of service rather than improvements to these systems. But using impact fees to merely maintain existing levels of service presents unique challenges in comparison to municipalities. Below is a brief overview of the challenges to several county agencies.

Maricopa County Department of Transportation

The Maricopa County Department of Transportation (MCDOT) is responsible for the roadway system in unincorporated Maricopa County, as well as in parts of incorporated municipalities through intergovernmental agreements. MCDOT has an extensive capital improvement program for a variety of infrastructure, including roads and streets, bridges, storm drainage, intersections, bicycle lanes, and pedestrian facilities. Given the rapid growth in Maricopa County, MCDOT is constantly challenged to meet new infrastructure demands with limited financial resources. But while impact fees may appear to be a reasonable way to fund new infrastructure, meeting legal requirements could prove difficult.

As noted earlier, impact fees must be used to maintain, not increase, the level of service that exists. In addition, while much of MCDOT’s capital expenditures help serve unincorporated residents, many of their regional roads also serve residents of incorporated areas. Indeed, it is even common for local jurisdictions not to annex roads within their boundaries in the hope that Maricopa County will improve and/or maintain them. As a result, some unincorporated streets mainly serve unincorporated residents, while others primarily service incorporated areas. However, since Maricopa County can only assess impact fees against building permits in unincorporated areas, even for roads that primarily serve incorporated areas, it may be both complicated and difficult to assess new impact fees exclusively on unincorporated areas.

Another potential difficulty is that given the diverse transportation needs throughout the county, adopting a "one size fits all" impact fee ordinance may not be feasible. Since most MCDOT projects are programmed to address new development in priority areas, assessing impact fees on rural areas where future improvements may not be assigned for many years may also present legal constraints. One possible solution is to establish regions of the county whereby different impact fees would apply based on anticipated service needs. Such systems are used in other local and county governments, but would likely require an extensive and lengthy process to establish and monitor, and may create significant administrative costs.

Maricopa County Library District

The Maricopa County Library District is a special taxing district that operates twelve libraries throughout Maricopa County. While Maricopa County now has the authority to enact impact fees for several services, libraries are not specifically mentioned in the enabling statutes which means library impact fees are legally questionable. Notwithstanding this debate, a library impact fee ordinance would present several challenges. Most important is establishing a "rational nexus" between an impact fee and the affected residents.[12]

The Maricopa County Library District enters into joint ventures with local governments to construct and operate libraries. In most cases, local governments agree to build library facilities while the district pays for operational costs. However, the increasing existence of large master planned communities in unincorporated Maricopa County means that in the future the district may be responsible for both facility construction and ongoing operation, thus creating a need to collect fees from such projects. However, while identifying the library needs for a single, master planned community— and thus assessing per unit fees— is usually clear, extending such fees to smaller projects and individual housing units becomes more difficult as the impacts to existing service levels become harder to calculate.

Besides the complexities in identifying service areas and levels, a library impact for all of unincorporated Maricopa County raises several legal and practical issues, including:

- Maricopa County has varying land use patterns ranging from very rural to more intense urbanization. However, libraries are being built based on growing demand,

[12] A discussion of rational nexus is found in this report under the section titled *Cost-Sharing Programs: Issues and Policy Considerations*

primarily in urban fringe areas like the joint ventures with Anthem and the City of Surprise. If impact fees are assessed to building permits in rural areas far from future libraries, can it be demonstrated that the fee will benefit all that pay them? If not, legal issues concerning rational nexus and rough proportionality could be raised.

- If county libraries are built in unincorporated areas but are located close to cities, some patrons will be city residents. However, the full cost of the facility would be borne by unincorporated residents. Further, impact fees can only be used for capital costs, not ongoing operation and maintenance, which is the Library District's primary responsibility in joint ventures. This could also create legal issues regarding reasonableness and proportionality absent a system of credits. Such a system could also be difficult to develop and expensive to administer.

Given these and other considerations, a library impact fee ordinance could face significant challenges. This is especially true in unincorporated areas outside of master planned communities where measuring existing service needs in relation to the cumulative effects of small subdivisions and individual building permits would be difficult.

Maricopa County Parks and Recreation Department

The Maricopa County Parks and Recreation Department operates the largest county park system in the nation with over 116,000 acres of active and passive open space. As regional parks, they serve all county residents and are considered a benefit to all county citizens. Under state law, Arizona counties have the authority to enact impact fees for park facilities. However, since all residents of Maricopa County, as well as visitors from other regions and states use these parks, assessing impact fees against only those building permits obtained in unincorporated Maricopa County presents difficult administrative and legal challenges. Indeed, only about 10% of all park visitors reside in unincorporated portions of Maricopa County.[13] Likewise, only a small portion of countywide building permits are issued for unincorporated areas. Therefore, an impact fee ordinance for parks may only yield a small amount of money for needed park facilities. This small amount of money would then need to be evaluated through a cost-benefit analysis to ensure that the fees collected would adequately offset the administrative costs of the program. Further, since the Parks and Recreation Department receives most of its park expansion land from the Bureau of Land Management at little or no cost,[14] an impact fee on new unincorporated residents may be construed as requiring these new residents to pay for enhanced service levels if used for land acquisition.

Maricopa County Sheriff

The Maricopa County Sheriff Office (MCSO) provides law enforcement services to unincorporated areas and incorporated areas through intergovernmental agreements. MCSO also provides detention and crime prevention for all of Maricopa County. State

[13] Maricopa County Parks Visitors Study, October, 2000.
[14] Maricopa County Regional Parks have historically been acquired from the Bureau of Land Management through the *Recreation and Public Purpose Act.* Details of this act can be found in USC §43-20, sec.869.

law does allow counties to assess impact fees for public safety facilities. However, there are important issues that would need to be considered before pursuing impact fees for such facilities. In relation to detention facilities, county residents recently approved a countywide tax to build a new jail. Therefore, offsets or credits might need to be applied so that unincorporated residents would only be responsible for their fair share of the new facilities. Because the impact fees can only be assessed against building permits in unincorporated areas, the amount of revenue generated for countywide detention facilities would likely be small. As such, it would be important to prepare a cost-benefit analysis to determine if the impact fee revenues would be justified in light of the administrative costs.

With respect to law enforcement services, impact fees would need to be assessed against both residential and non-residential building permits since both use sheriff facilities and services. However, the Sheriffs jurisdiction will gradually decrease over time due to annexations, meaning that frequent revision to the impact fee code would be necessary to reflect the reduced law enforcement needs. This too might create significant oversight and administrative costs.

Impact Fee Analysis

In summary, there are many issues that could constrain Maricopa County's use of impact fees. For example, residents of both incorporated and unincorporated areas use facilities such as roads, regional parks, libraries, and law enforcement. However, state law only allows counties to assess impact fees on building permits issued in unincorporated areas. Therefore, potentially complicated impact fee calculations might be necessary to ensure that unincorporated residents are only paying a prorata share of new facilities that must merely maintain, rather than improve, existing service levels. Complicating the issue are annexation patterns that alter unincorporated areas and population frequently, meaning constant oversight and revision would likely be necessary. Such oversight and administration could be costly and actually offset the revenue derived from an impact fee ordinance.

The size and diversity of Maricopa County also makes using impact fees in unincorporated areas difficult. Unincorporated Maricopa County contains a variety of land use patterns, ranging from urban to suburban to very rural. However, impact fees are usually necessary to provide facilities and services to growing (urban and suburban) areas. Therefore, trying to determine benefits between urban, suburban, and rural areas may further complicate legal questions involving proportionality and nexus. For example, should rural residents be assessed the same impact fee as those living in urban areas where the new facilities are located, even though they may not use these facilities? Contrarily, should rural residents be exempt from impact fees even though as county residents they can and do use these facilities?

Impact fees also tend to be more effectively administered and equitably applied where there are specific service area boundaries, such as municipal boundaries or within defined unincorporated master planned communities. However, where service boundaries and impact areas aren't as defined, such as with smaller subdivisions and individual residential lots, it becomes more difficult to establish an equitable impact fee ordinance that can withstand legal scrutiny. This would likely continue as the county grows, making it important to constantly monitor and adjust an impact fee ordinance. However, constant monitoring and alteration would increase administrative costs at the expense of the very revenues generated by the impact fees. Therefore, a thorough cost-benefit and/or cost-effectiveness analysis would be needed periodically to ensure continued feasibility.

Current Cost Sharing Efforts

Although Maricopa County does not have an impact fee ordinance, there are ways in which new development is required to pay for and provide facilities and services associated with growth. A brief discussion of these efforts follows.

Urban Service Area

The Urban Service Area exists as part of Eye to the Future 2020, the Maricopa County Comprehensive Plan, and helps guide decision making to coordinate future development with urbanizing areas. It is based on the necessity for services and infrastructure to establish and maintain a high quality of life. The Urban Service Area doesn't exist as a designation on a map. Rather, it is based on the ability of new development to provide infrastructure and appropriate urban services to future residents at a particular location. However, the Urban Service Area should not be confused with "urban growth boundaries" which are established boundaries intended to place limits on physical growth. Further, urban growth boundaries are not considered as part of this report.

Determination of the Urban Service Area is based on the presence or feasibility of services and infrastructure to support the requested density. At a minimum, development must demonstrate that the following infrastructure and services exist or will be provided by the development:

- All necessary roads
- All necessary flood control structures
- Adequate utilities, including water, sewer, electric, and natural gas
- Adequate capacity and appropriate proximity to elementary, middle, and high schools
- Appropriate emergency service (police and fire) facilities and response time
- Adequate library facilities within appropriate proximity
- Adequate supply and proximity to parks
- Appropriate proximity to or supply of commercial and large-scale employment opportunities
- Appropriate proximity to hospital and emergency medical facilities

- Adequacy and proximity to multimodal transportation facilities

New urban growth is discouraged where such facilities and services do not exist or cannot be provided by development. However, Maricopa County currently does not have either an adequate public facilities ordinance or adopted level of service standards to equitably and consistently measure new development.

Development Agreements
As identified earlier, development agreements are contractual arrangements between local governments and property owner(s) regarding land use and infrastructure. Maricopa County frequently uses development agreements, especially with respect to large, master planned communities, to ensure adequate road infrastructure is available for future residents. Development agreements are frequently based on phasing schedules and improvements are linked to allowable building permits. Maricopa County has used development agreements for several master planned communities, including Anthem, Lakeland Village, and Pleasant Valley Country Club.

Stipulations
Stipulations are conditions or restrictions placed upon the approval of entitlements granted to landowners. Stipulations cover a wide range of issues, including requirements for the services, infrastructure, and facilities associated with a particular project. These stipulations frequently set conditions in order to begin or continue construction.

Voluntary Contributions
Developer donations and contributions are another way in which new development helps pay for infrastructure and service costs. Voluntary contributions have been used for a variety of services, including monetary donations for regional parks and libraries, as well as property and monetary donations for schools and emergency service facilities. Contributions are beneficial because they are usually amenable to both the public and private stakeholders.

Maricopa County Budget Overview

Maricopa County provides a variety of services and programs to its residents, each of which is intended to fulfill mandates and help ensure a healthy and enjoyable quality of life. In this respect, Maricopa County is similar to other counties in the nation. Where they differ is in their budgets to fulfill public expectations. In relation to the ten largest counties in the nation, Maricopa County's budget is near the lower end of the comparison range (**Table 1**). However, during the past several years Maricopa County has embraced an approach of providing high quality services at a low cost. One rough measure of the effort towards efficiency is to compare the County's population growth and inflation rate to overall operational cost increases. In fiscal year 2000-2001, the

Table 1 Budget Comparison: Ten Largest U.S. Counties				
Rank	*County*	*Population*	*Budget*	*Year*
1	Los Angeles, CA	9,519,338	$16.1 Billion	FY 2001-2002
2	Cook, IL	5,376,741	$2.7 Billion	FY 2001
3	Harris, TX	3,400,578	$1.4 Billion	FY 2001-2002
4	**Maricopa, AZ**	**3,072,149**	**$2.1 Billion**	**FY 2001-2002**
5	Orange, CA	2,846,289	$4.6 Billion	FY 2001-2002
6	San Diego, CA	2,813,833	$3.8 Billion	FY 2001-2002
7	King, NY	2,465,326	N/A	N/A
8	Dade, FL	2,253,362	$4.5 Billion	FY 2001-2002
9	Queens, NY	2,229,379	N/A	N/A
10	Dallas, TX	2,218,899	$600 Million	FY 2001

Source: See References

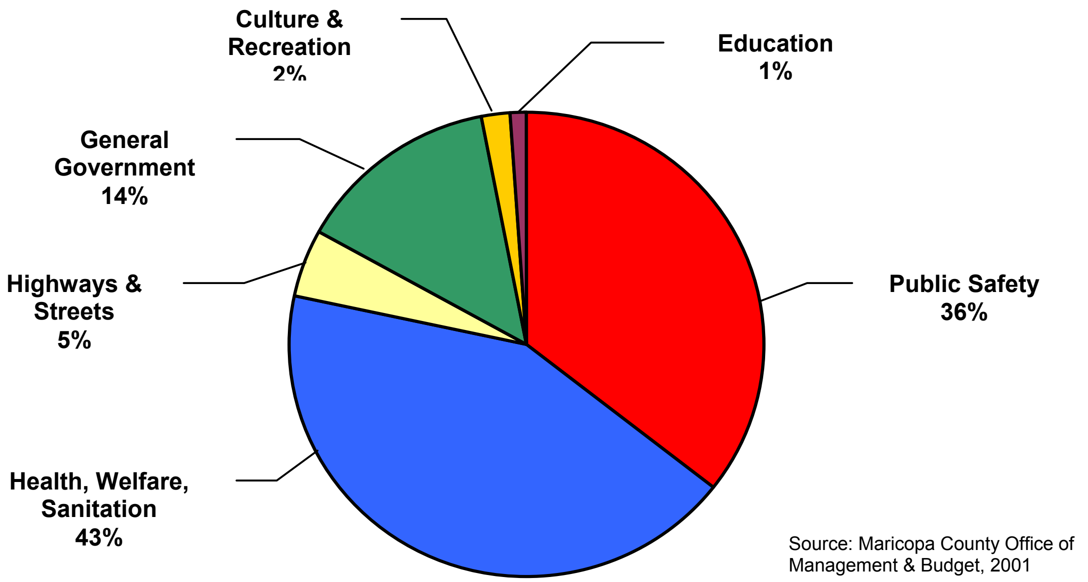
growth in population and inflation was 5.4%, while during the same time operational costs increased only 0.3%.

Expenditures
The 2001-2002 fiscal year budget for Maricopa County is approximately $2.1 billion dollars, which is distributed across a wide variety of services and programs (**Figure 11**). A significant portion of the County's annual budget goes to two areas: *public safety* and *health, welfare, and sanitation*.[15]

Public safety consists primarily of law enforcement and the criminal justice system. The Maricopa County Sheriffs Office provides patrol and response to all criminal activity in the unincorporated areas and in cities that contract for Office service. It also oversees the 5th largest sheriff-operated jail system in the nation. The daily jail population of 7,100+ adult inmates exceeds current capacity by approximately 27%, although County taxpayers recently approved an expansion of the jail system. The jail expansion program includes two new jail facilities, a support building, and renovating other facilities.

[15] A more detailed discussion of these and other services can be found in the report titled *Maricopa County FY2001-2002 Annual Business Strategies.*

Figure 11
Uses of Maricopa County Funds



Public safety also includes the extensive Maricopa County court system. In Fiscal Year 2000, The Superior Court of Arizona in Maricopa County registered over 114,000 court filings. Of this, the three most frequent cases were civil (27%), family (25%), and criminal (23%). Also in fiscal year 2000, the Maricopa County Justice Courts registered over 345,000 cases, the majority of which were related to traffic violations.

Most expenditures for "health, welfare, and sanitation" go to the County's healthcare system. Of particular note is the Maricopa Integrated Health System (MIHS) which includes the Maricopa Medical Center, the Arizona Burn Center, the Comprehensive Healthcare Center, the McDowell Healthcare Clinic, 12 community-oriented family health centers, four health plans, an attendant care program, and home health care services. MIHS is the health care safety net for Maricopa County citizens, and serves people of many races and nationalities that come from diverse cultures and speak different languages. Many of these patients face challenges such as lack of health insurance, complex medical problems, and difficult socioeconomic situations. On average, MIHS annually records about 20,000 inpatient admissions and 300,000 outpatient visits.

Other Services
Besides public safety and health, Maricopa County provides many other services to its residents. While a complete discussion of all these services can be found on the Maricopa County website at **www.maricopa.gov**, other services provided to or on behalf of Maricopa County residents include:

- Emergency management
- Community development
- Finance and budget management
- Human services
- Parks and recreation
- Public fiduciary
- Information technology
- Land use planning
- Transportation infrastructure
- Libraries
- Affordable housing
- Facilities and materials management
- Risk management
- Animal control
- Environmental health and safety
- Stadium facilities management
- Flood control and mitigation
- School district support and administration

Revenues

Revenues for the county budget come primarily from three sources: property taxes, state-shared revenues, and user fees (**Figure 12**). These and other sources are briefly discussed below.[16]

Property Tax

Property taxes are imposed on both real and personal property, and consist of primary and secondary taxes. Primary taxes fund the county's general government operations through the general fund, while secondary taxes finance the county's general obligation bonded debt, the Flood Control District, and the Library District. State law restricts growth in local revenue generated from primary property taxation.

For Fiscal Year 2001-2002, Maricopa County's has a total tax mil rate is 1.5448%. This includes a 1.1832 primary valuation rate, a .0876 debt service valuation rate, a .0421 Library District valuation rate, and a .2319 Flood Control District valuation rate. Based on these assessments, Maricopa County expects to collect approximately $327 million in property taxes during Fiscal Year 2001-2002.

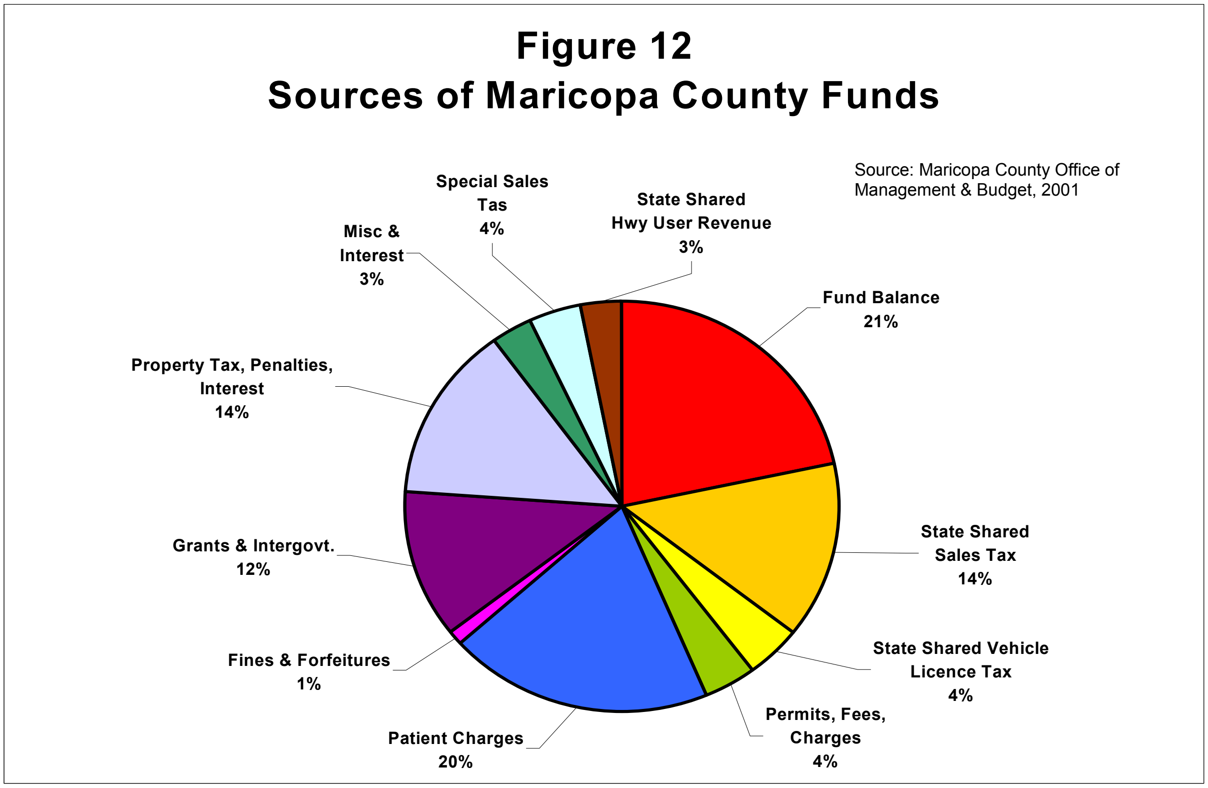
Payments in Lieu of Taxes

Payments in lieu of taxes are collected from the Salt River Project (SRP) and the federal government. For Fiscal Year 2001-2002, these payments amounted to approximately $6.3 million; a decline of about 3% from FY 2000-2001.

Tax Penalties & Interest

Penalties and interest are collected on delinquent property taxes. Because penalties and interest fluctuate, forecasting such revenues is difficult. However, Fiscal Year 2001-2002 revenues from tax penalties and interest is estimated at approximately $8 million.

[16] A more detailed discussion of these revenues can be found in the report titled *Maricopa County FY2001-2002 Annual Business Strategies.*



Special Sales Tax

Maricopa County and the Maricopa County Stadium District levy special sales taxes which are collected by the state. In turn, the state distributes these funds back to Maricopa County as part of its state-shared sales tax distribution. In 1994/1995, the State Legislature granted the Maricopa County Stadium District the authority to collect a surcharge on rental cars to help fund Cactus League Stadium construction and operations. Sunset of the major league sales tax, used to construct Bank One Ballpark, occurred in 1997-1998.

In November, 1998 Maricopa County received citizen approval to enact a new special sales tax to fund construction and operation of adult and juvenile detention facilities. Collection of this tax began in 1999 and is anticipated to produce approximately $103 million for new and existing detention facilities.

Licenses and Permits

Maricopa County collects revenue from numerous licenses and permits that are issued through County departments. Rates for licenses and permits are established by the Board of Supervisors unless set by state statute. Revenues generated from licenses and permits are used to offset the costs of issuing the permits.

The types of licenses and permits issued by Maricopa County vary by department. Examples include liquor licenses, pawnshop licenses, planning and building permits, marriage licenses, animal licenses, environmental permits, right-of-way use permits, and flood control licenses. In Fiscal Year 2001-2002, permits and licenses are forecast to provide Maricopa County with approximately $23 million in revenue.

Intergovernmental and Grants
Maricopa County receives intergovernmental revenues from several sources, including Federal, state, and local governments. Included are government grants that restrict how such funds can be used, and/or identify specific activities or purposes for the funds. In Fiscal Year 2001-2002, Maricopa County expects to receive approximately $293 million from intergovernmental transfers and direct grants.

Highway User Revenue Funds (HURF)
The State of Arizona collects a highway user tax on motor fuel sold within the state. The primary purpose of this tax is to fund construction and maintenance of streets and highways. To accomplish this, the State distributes the collected funds to the state highway fund (50%), cities and towns (30%), and counties (20%). County allocation of HURF is based upon fuel sales, estimated consumption, and population. Maricopa County's HURF is administered by the Maricopa County Department of Transportation, and is anticipated to be approximately $81 million in Fiscal Year 2001-2002.

State Shared Sales Taxes
Although Maricopa County does not levy a general purpose sales tax, it does receive a portion of the State's Transaction Privilege Tax which is deposited in the county's general fund. The State collects this tax on various business activities, which is then allocated to local jurisdictions. For Fiscal Year 2001-2002, Maricopa County's share of this revenue is anticipated to be approximately $341 million.

State Shared Vehicle License Taxes (VLT)
Arizona annually assesses a license tax on all vehicles. Based on estimated vehicle value, the VLT is essentially a personal property tax paid as part of a vehicle's annual registration renewal. Maricopa County's share of the VLT in fiscal year 2001-2002 is projected at approximately $93 million.

Fees and Charges, Fines and Forfeits, Internal Service Charges, and Patient Charges
Maricopa County charges its customers user fees for a variety of services. Examples of these charges include building plan reviews, court fees, fiduciary fees, jury fees, passport fees, notary bond fees, autopsy fees, kennel fees, park entrance fees, probation service fees, and patient service charges. The Maricopa County Board of Supervisors approves fee rates, and care is taken to ensure that the fees do not unduly discriminate against those most in need of services.

Through statutory and enforcement authority, Maricopa County also collects fines and forfeitures such as citations, court fines, and library fines. Fiscal Year 2001-2002 forecasts are for these fees and charges to generate approximately $584 million in revenue.

Miscellaneous Revenue
Maricopa County classifies miscellaneous revenues as any revenues that do not fall within a more specific category. Examples of such revenues include concessions, printed material sales, fixed asset sales, building rent, insurance recoveries, food sales, equipment rental, and bond proceeds. However, the single largest component of miscellaneous revenue is interest income accrued from fund balances and from other funds held by the treasurer. Fiscal Year 2001-2002 miscellaneous revenues are projected at approximately $15 million.

Cost-Sharing Programs: Issues and Policy Considerations

Legal Issues
One of the most important issues regarding service and infrastructure financing is the extent to which local governments can convey expenses on new development without violating state or federal laws. When the Arizona Legislature enacted the Cost of Development element requirement, it did so with the condition that mechanisms requiring new development to pay its fair share must ensure fair and equal treatment. Specifically, the law requires that any method used must result in a beneficial use to the development, bear a reasonable relationship to the financial burden imposed on the county to provide additional facilities, and that they be imposed according to law.

This section examines several legal considerations, including due process, takings, equal protection, and the comprehensive plan/ordinance relationship.

Due Process
The Fourteenth Amendment of the U.S. Constitution prohibits local government from depriving people of liberty or property without the "due process of law." With respect to cost sharing, this clause essentially requires local governments ensure that whatever method(s) is chosen to require new development to pay fair share costs that it be neither unreasonable, arbitrary, or capricious, and that the method(s) selected have a relationship to the objective sought by the local government.

Due process issues are separated into two categories known as procedural due process and substantive due process. Procedural due process concerns the methods by which a local government adopts the regulation in question. Procedural due process involves three important issues:

- The kind of notice required to be given to the public
- The type of hearing required

- Principles guiding the decision making process to ensure that it is fair and informed

In short, procedural due process given to an individual generally means that they are entitled to fair notice and a hearing, and that the government followed the proper process required under state statute.

Substantive due process concerns the rationality of a government's decision, and requires a rational relationship between the decision and the goals that the community wants to achieve. In addition, substantive due process requires local regulations and ordinances to serve a legitimate public purpose. To this end, courts generally apply a three-pronged test to make conclusions regarding substantive due process:[17]

- Is the ordinance/requirement rationally related a legitimate public purpose?
- Are the means adopted to achieve this purpose reasonably necessary?
- Is the ordinance/requirement unduly oppressive on a property owner?

When questions arise concerning substantive due process, it is usually in response to vague or ambiguous ordinances or requirements. As such, ordinances and expectations for cost sharing must be clear, precise, and provide reasonable standards.

Takings

The takings clause of the Fifth and Fourteenth Amendments prohibits private property from being taken for public use without just compensation. With respect to cost sharing, courts have generally used a three-pronged test to determine takings issues:

- Direct benefits test: Proof that a specific development will create necessary government expenditures, and that expenditures benefit the development that pays for it. However, expenditures need not *exclusively* benefit the contributor.
- Reasonable/rational nexus test: Requires establishing a link (nexus) between the cost sharing method and the public interest being advanced. This is often used when determining cases involving impact fees, exactions, or dedications.
- Reasonable relationship/rough proportionality test: Often referred to as the "fair share" argument, this test requires establishing a relationship between proposed the cost sharing requirement and the impacts they are intending to allay. While precise mathematical calculations are rarely necessary, a government must make some sort of individualized determination that the cost sharing requirement is related both in nature and extent to the impact of the proposed development.

Reasonable/Rational Nexus

The United States Supreme Court heard one of the most important court cases concerning the reasonable/rational nexus issue in 1987. Known as the *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987), it established the requirement for

[17] National Association of Homebuilders, 2001 (see references)

an "essential nexus" between the interest(s) a government professes to achieve and the conditions imposed on development to serve the interest(s). The Court also reiterated earlier decisions that regulations and requirements will not constitute a taking if it substantially advances a legitimate government interest and does not deny the landowner of economically viable use of the land.

The *Nollan* case is also important because Arizona Revised Statutes recognizes it by stating that counties must comply with the Supreme Court's decision and guidelines outlined in their ruling.[18]

Reasonable Relationship/Rough Proportionality

While the *Nollan* case established many of the legal guidelines about relationships between public purpose and development requirements, the Supreme Court also defined rules concerning the level of commitment an individual must make as a condition of development. In short, governments and courts must determine "fair share" on an individual basis.

In a case known as *Dolan v. City of Tigard*, 114 S.Ct. 2309 (1994), the U.S. Supreme Court ruled there must be a "rough proportionality" between an exaction and the impacts that the exaction is trying to allay. Again, precise calculations are usually not necessary, but there must be some sort of individualized determination that the requirement is related both in nature and extent to the anticipated impacts.

In determining rough proportionality, courts generally consider two questions: a) is there any generally accepted methodology for estimating service use by a particular development, and b) will that service be available to residents of the development. Like the *Nollan* case, Arizona law recognizes the Dolan case as a guide for making land use decisions.

Equal Protection

Governments should also be aware that implementing a cost sharing program must consider the concept of equal protection. The equal protection clause of the Fourteenth Amendment to the U.S. Constitution ensures that all people are given equal protection under the law. In relation to cost sharing, this means that local governments must ensure that they do not unreasonably discriminate between persons who present similar circumstances.

When concerns about equal protection arise, they normally do so in response to perceived disparities or the arbitrary way in which a cost sharing program is implemented. However, courts have generally ruled that persons do not have to be dealt with identically. Rather, equal protection requires that distinctions that are made should have relevance to the *purpose* of the distinction. Although court challenges of equal protection are generally not successful, governments should be aware that

[18] See ARS §11-811

practices such as allowing exemptions, exceptions, or unequal requirements could prove ripe for such challenges.

Relationship to Adopted Plans and Ordinances
The reasonableness of a cost sharing program is linked to the implementation of a local government's comprehensive plan and adopted ordinances. Indeed, courts are more likely to support a cost sharing program when a government has a plan that shows how and when public facility needs are likely to be generated both by type and location. Linking a cost sharing program to adopted plans and ordinances also makes it easier to satisfy the "rational nexus" requirements as established by the U.S. Supreme Court in the *Nollan* case. Further, some state courts have even ruled that certain types of cost sharing (impact fees and other exactions) can only be done if detailed in a local government's long-range plan.

Other Considerations
While most local governments spend considerable time analyzing the potential legal implications of cost sharing programs, there are other issues that warrant consideration. Unlike legal implications, these issues can affect the economic and social well being of a community. While not all-inclusive, some other considerations are identified below.

How difficult might it be to assess the actual "cost of development" in unincorporated Maricopa County?
As noted in this report, Maricopa County is a dynamic region that is constantly changing. In addition to annexation patterns, Maricopa County contains a variety of residential land use patterns, ranging from dense, urban areas to traditional suburban to very rural. Therefore, assessing the different costs of servicing these residential areas, as well as determining accurate service area boundaries, can be difficult. However, when assessing residential development costs there are generally two lines of reasoning. The first is that residential development tends to be more expensive to service than other types of land use, and thus negatively impacts local government finances. For instance, in over 60 nationwide "cost of community services" studies conducted by the American Farmland Trust, it was identified that for every dollar of revenue generated by residential development, the median cost to service this type of development was $1.15.[19] By comparison, the median cost to service non-residential commercial and industrial development is only $.28 per dollar of revenue. This is similar to results obtained in 1998 by Arizona State University researchers. In their study of the cost of providing community services in the Town of Gilbert, they identified that for every dollar in revenue generated by residential development, it cost the town $1.21.[20] Likewise, the cost of delivering community services to commercial and industrial development was $.28 and $.84 respectively.

[19] American Farmland Trust News. *http://www.farmland.org/news/tip.htm*
[20] Town of Gilbert: The Cost of Community Services. *http://www.asu/edu/caed/herberger/publications/HCDEpubworking.html*

Another theory is that while the costs of providing services to residential development may be greater than the tax revenues generated, the residential building and associated industries provide an important stimulus to local governments and economies. For example, the National Association of Homebuilders (NAHB) estimates that every 1,000 new homes generate 2,448 jobs in construction and related industries, $79.4 million in wages, and over $42.5 million in federal, state, and local tax revenue.[21] Moreover, since these structures are permanent the NAHB also estimates that the financial benefits are both immediate and long term.

How and whom might manage and administer the selected cost sharing programs?
Regardless of the type, cost sharing programs require constant administration and oversight to ensure proper and consistent implementation. This process may involve several separate agencies. For example, a transportation infrastructure cost sharing program may require a transportation department to establish guidelines or negotiate agreements, a planning department to ensure that such guidelines or agreements are included in an approval process (as well as monitor progress), and a budget department to oversee financial accounting and distribution of funds. Such a system would require both coordination and efficiency among various departments.

What does it cost to administer the cost sharing programs?
While cost sharing programs create administrative expenses for local governments, the amount will likely depend on the complexity and nature of the program. Local governments must carefully understand these costs so they can determine whether or not the cost sharing program is sensible, and to ensure that the benefits outweigh these administrative expenses.

Is the cost sharing program acting (with or without intent) in an exclusionary manner?
Certain land use practices, such as exclusionary zoning, have long been identified as both illegal and unfair public policy. With some cost sharing programs, imposed costs are merely passed along to the homebuyer, resulting in higher home prices that prevent certain income groups from home ownership. Local governments should consider whether a selected cost sharing program exasperates their communities' affordable housing problems, and how such problems can be mitigated.

What impact might a cost sharing program have on land use and development patterns?
Because cost sharing tends to vary among local jurisdictions, the amount developers are required to contribute to new infrastructure might impact the location and timing of growth. In short, cost sharing systems that reflects the relative costs of different sites may shift development from high cost areas to those with lower costs, creating competition and inefficient decisions.

---

[21] The Ripple Effect: Newly Built Homes Generate Waves of Financial Prosperity Throughout a Community. *Builder Magazine, July, 1998*

Is there undue costs put on the development process?
Depending on the type of program, a development process might be slowed due to the intricacies of negotiation and calculations. This becomes a complicated balancing act because, on the one hand, quick agreements between local governments and developer(s) could raise public suspicion that not enough scrutiny has been given to the potential infrastructure and service costs. On the other hand, lengthy discussions and/or negotiations could add development costs which may then be passed on in the form of higher home costs. Governments, however, can help avoid such situations by ensuring that consistent and uniform standards exist even when individual negotiations occur. This will help provide certainty and predictability to the negotiation and development process; both of which are desirable.

Will a cost sharing program discourage employment growth?
Nonresidential development is an important part of community growth. A proper jobs to housing ratio helps diversify the local tax base and prevents undue tax burdens from being placed on residents. Therefore, local governments must be careful to ensure that cost sharing programs do not deter business and employment expansion. The key is to cost share in a way that maintains economic vitality and efficiency, yet discourages inefficient development that merely "shops" communities for the fewest requirements.

Goals, Objectives, and Policies

This section identifies comprehensive goals, objectives, and policies to address the costs of development in Maricopa County. These goals, objectives, and policies help support and implement *Eye to the Future 2020*, the Maricopa County Comprehensive Plan.

To help understand the intent of these items, the following definitions are used:

Goal: A concise statement describing a condition to be achieved. It does not suggest specific actions, but describes a desired outcome.

Objective: An achievable step towards a goal. Progress towards an objective can be measured and is generally time dependent.

Policy: A specific statement to guide public and private decision making. It is derived from the goals and objectives of the plan.

The goals, objectives, and policies are the action component for addressing development costs in *Eye to the Future 2020*. Therefore, policy decisions should be made in coordination with this element's goals, objectives, and policies.

Goal: Ensure that new development pays its fair and proportional share of the cost of additional public facility and service needs generated by new development.

Objective C1: Develop a method to determine the need for, and assessing costs of, new facilities and services required to serve new development in order to maintain service levels.

Policy C1.1: Work with other county agencies and affected stakeholders to establish cost sharing programs.

Policy C1.2: Work to ensure that the proportional share charged to a project includes only those costs associated with the infrastructure and service needs of that project.

Policy C1.3: Seek regional coordination to promote developer cost sharing for regional services and infrastructure.

Objective C2: Adopt and implement level of service standards for new development to help promote consistency and certainty in the cost sharing process.

Policy C2.1: Maintain and support Maricopa County's capital improvement programs that help promote service needs and standards.

Policy C2.2: Adopt and periodically update level of service standards for new development to maintain their viability.

Objective C3: Identify and monitor cost sharing programs for potentially adverse impacts.

Policy C3.1: Identify and periodically review administrative costs created by cost sharing programs to determine ongoing practicality.

Policy C3.2: Identify and monitor cost sharing programs for potentially negative impacts on affordable housing efforts.

Policy C3.3: Periodically review cost sharing programs to ensure consistency with federal and state laws and court decisions.

Agenda for Action

The Agenda for Action (**Table 2**) identifies both long and short term measures that can help implement this element's goals, objectives, and policies. Successful implementation will require close cooperation, coordination, and communication between stakeholders. These stakeholders will play an important role in plan success, and Maricopa County encourages their continuing participation.

Action: Cost Sharing Program Preparation
Developing an appropriate and effective cost sharing program will require input from a variety of stakeholders. Therefore, the Planning and Development Department will work with other county agencies and the development community to identify potential cost sharing programs. This work will include identifying the appropriate methodologies for implementation.

Action: Level of Service Standards
To help ensure equitable and consistent application of requirements, the Planning and Development Department will work with other county agencies, the development community, and other affected agencies to develop level of service standards for new subdivisions and master planned communities in Maricopa County. These standards will require new development to meet specific infrastructure, service, and facility requirements in order to serve future residents.

Action: Monitor Program
Maricopa County will periodically review and analyze the cost sharing program to ensure continued feasibility and consistent implementation. The Planning and Development Department will help coordinate the monitoring process which will involve Maricopa County agencies and other affected stakeholders.

Table 2

Agenda for Action

Action	*Description*	*Plan Element*	*Participants*	*Timeline: 5 Years*				
Cost sharing preparation	Work with County agencies to determine appropriate cost sharing program, and develop methodology for implementation	Cost of Development	County Agencies Dev. Community					
Level of service standards	Develop, adopt, and implement level of service standards for infrastructure and services	Cost of Development	Maricopa County Affected agencies Dev. Community					
Monitor program	Monitor cost sharing program to ensure appropriateness, effectiveness, and fairness	Cost of Development	Maricopa County					

Appendix A: References

1. American Farmland Trust News. February, 2002. <http://www.farmland.org/news/tip.htm>
2. Arizona Department of Economic Security. February, 1999. *Arizona Occupational Employment Forecasts 1996-2006*. <http://www.de.state.az.us/>
3. Arizona Department of Economic Security, Population Statistics Unit. 1997. *Maricopa County Population Projections by Age and Sex*. <http://www.de.state.az.us/links/economic/webpage/popweb/T2013web.html>
4. Burchell, Robert W., David Listokin, William R. Dolphin, Lawrence Q. Newton, and Susan J. Foxley. 1994. *Development Impact Assessment Handbook*. Washington, D.C.: Urban Land Institute.
5. Center for Business Research, L. William Seidman Research Institute. November, 2001. *Arizona Economic Profile*. Tempe, AZ: Arizona State University College of Business.
6. Cook County, Illinois. 2001. *About the Cook County Board of Commissioners: County Budget*. <http//www.co.cook.il.us/secretary/HomePage_Links/about_the_cook_county_board_of_c.htm>
7. Costa, Dora. May, 1999. *Has the Trend Toward Early Retirement Reversed?* Prepared for presentation at the first annual Joint Conference for the Retirement Research Consortium, Washington, D.C.
8. Florida, Richard. January, 2000. *Competing in the Age of Talent: Quality of Place and the New Economy*. Pittsburg, PA: R.K. Mellon Foundation.
9. Galvin, Joseph F. and Kurt H. Schindler. January, 2001. *A Behavioral Approach to Avoid Regulatory Takings*. Land Use Bulletins – North Region. East Lansing, MI: Michigan State University Extension.
10. Gendell, Murray and Jacob S. Siegel. July, 1992. *Trends in Retirement Age by Sex-1950-2005*. Monthly Labor Review (Vol. 7, No. 7). Washington, D.C: Bureau of Labor Statistics.
11. Harris County, Texas. 2001. *Harris County, Texas Fiscal Year 2001-02 Budget*. <http://www.co.harris.tx.us/budget/2001-02/PDFs/FY%202001-02%20General%20Fund.PDF>
12. Heimlich, Ralph E. and William D. Anderson. June, 2001. *Development at the Urban Fringe and Beyond: Impacts on Agriculture and Rural Lands*. Agriculture Economic Report No. 803.88. Washington, D.C.: Economic Research Service, United States Department of Agriculture.

13. Homer Hoyt Center for Land Economics and Real Estate, Florida State University (James E. Frank and Robert M. Rhodes, ed.). 1987. *Development Exactions*. Chicago, Ill: Planners Press, American Planning Association.

14. Indiana University-Purdue University Indianapolis. 1993. *Practical Issues in Adopting Local Impact Fees*. <http://stormwaterfinance.urbancenter.iupui.edu/>

15. Los Angeles County, California. April 23, 2001. *County Budget Stable, But Under Pressure from Soaring Utilities*. <http://www.co.la.ca.us/getbud22/news.html>

16. Maricopa County Office of Management and Budget. 2001. *Maricopa County FY 2001-02 Annual Business Strategies*. <http://www.maricopa.gov/budget>

17. Maynard, Roberta. July, 1998. *The Ripple Effect: Newly Built Homes Generate Waves of Financial Prosperity Throughout a Community.* <http://www.builderonine.com>

18. Miami-Dade County, Florida. July, 2000. *2000/2001 Budget Message*. <http://www.co.miami-dade.fl.us/budget/home2001.htm>

19. Morrison Institute for Public Policy, Arizona State University. October, 2001. *Five Shoes Waiting to Drop on Arizona's Future*. <http://www.asu.edu/copp/morrison/public/public2a.html>

20. National Association of Homebuilders. 2001. *Exactions: Challenges to their Validity and Constitutionality*. <http://www.nahb.net/growth_issues/legal_issues/growth_exactions.html>

21. Nelson, Arthur C. (ed.). 1988. *Development Impact Fees: Policy Rationale, Practice, Theory, and Issues*. Chicago, Ill: Planners Press, American Planning Association.

22. Nicholas, James C., Arthur C. Nelson, and Julian Conrad Juergensmeyer. 1991. *A Practitioner's Guide to Development Impact Fees*. Chicago, Ill: Planners Press, American Planning Association.

23. Orange County, California, County Executive Office. 2001. *County of Orange Fiscal Year 2001-2002 Annual Budget Book*. <http://www.oc.ca.gov/ceo/finance/2002FN/Index.htm>

24. Pollack, Elliot D. July, 2001. *Greater Phoenix Residential Real Estate Market: Will it Escape the National Slowdown?* <http://www.elliotpollack.com/word_docs/Article01_07.htm>

25. Retirement Living Information Center. November, 2000. *Census Data May Reveal Retiree Migration Preferences.* <http://www.retirementliving.com/RIart68.html>

26. Retirement Living Information Center. May, 2000. *Senior and Boomers Want More Choices in Housing*. <http://www.retirementliving.com/RIart51.html>

27. Retirement Living Information Center. February, 2001. *Older Americans Rethinking Where to Retire*. <http://www.retirementliving.com/RIart102.html>

28. Rivasplata, Antero. June, 1997. *A Planner's Guide to Financing Public Improvements*. Sacramento, CA: State of California Governor's Office of Planning and Research. <http://ceres.ca.gov/planning/financing/>

29. San Diego County, California. 2001. *County of San Diego Operation Plan: Fiscal Years 2001-2002 and 2002-2003*. <http://www.co.san-diego.ca.us/cnty/cntydepts/general/auditor/adoptedoperational20012003.pdf>

30. San Martin, Ignacio. 1998. *Town of Gilbert: The Cost of Community Services*. Tempe, Ariz: Herberger Center for Design Excellence, College of Architecture and Environmental Design, Arizona State University.

31. Seldman Research Institute, Arizona State University. *Key Sector Construction Activity: 1993-2000*. <http://www.cob.asu.edu/seid/arec/data.cfm?table=construct>

32. Snyder, Ken and Lori Bird. December, 1998. *Paying the Costs of Sprawl: Using Fair-Shair Costing to Control Sprawl* United States Department of Energy, Center of Excellence for Sustainable Development. <http:www.sustainable.doe.gov/articles/sprawl.shtml>

33. Tempe Community Council Network Newsletter. Spring, 2001. *Community Land Trust of Tempe*. <http://www.tempe.gov/tcc/tcc_network_news.htm>

34. Vest, Marshall J. October, 2001. *Arizona's Economy*. Tucson, AZ: Eller College of Business and Public Administration, University of Arizona.